

Message Text

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TO SECSTATE WASHDC 6514

INFO USMISSION USEC BRUSSELS

AMEMBASSY LONDON

UNCLAS SECTION 1 OF 2 DUBLIN 388

PASS AGRICULTURE - FROM AG ATTACHE

E. O. 11652: N/A

TAGS: EAGR EC EI

SUBJ: THE MAIN INCREASES IN EEC PRICE PACKAGE

1. THE IRISH FARMERS' JOURNAL, THE LEADING FARM PAPER PARTLY CONTROLLED BY FARM ORGANIZATIONS, COMPLIMENTED MR. CLINTON, MINISTER FOR AGRICULTURE, FOR HIS "BRILLIANT ACCOMPLISHMENTS" FOR IRISH FARMING DURING LAST WEEK'S DEAL IN BRUSSELS.
2. THE IRISH FARMERS' JOURNAL POINTED OUT JUST A FEW OF THE ACCOMPLISHMENTS SUCH AS INTERVENTION PRICES FOR PRIME BEEF WILL BE 40 PENCE PER LB., OVER 24 POUNDS PER CWT. INTERVENTION COWS ARE NOW UP TO 34 PENCE PER LB.
3. THE MINISTER OF AGRICULTURE EXPRESSED HIMSELF AS PLEASED WITH THE MAIN INCREASES IN EEC PRICE PACKAGE. HE SAID, "I THINK WE HAVE GOT A SATISFACTORY AGREEMENT," AND EXPECTED FARMERS TO BE REASONABLY SATISFIED WITH THE AGREEMENT. HE SAID, "AFTER ALL, IRISH FARMERS HAVE ENDED UP WITH A 15 PERCENT RISE IN PRICES, WHICH WAS WHAT THE PRODUCERS ORGANIZATIONS ASKED FOR." THE UNCLASSIFIED

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MINISTER WAS DISAPPOINTED WITH THE MOUNTAIN AREAS DECISION.

HOWEVER, HE WAS CONFIDENT THAT AT THE MARCH COUNCIL MEETING FEOGA CONTRIBUTION WOULD BE RAISED ABOVE 25 PERCENT - PROBABLY TO AROUND 35 PERCENT. BUT HE EXPECTED THE MONEY TO BE FLOWING UNDER THE SCHEME BY EARLY SUMMER. "I WANT TO ASSURE PEOPLE," HE SAID, "IN THE AREAS AFFECTED BY THE MOUNTAIN AREA SCHEME, THAT THEY WILL BE SUBSTANTIALLY BETTER OFF AS A RESULT OF THIS SCHEME, AND I HAVE NO INTENTION OF ABOLISHING THE BEEF INCENTIVE SCHEME AT THE PRESENT TIME, AS THESE WERE THE PEOPLE MOST BADLY AFFECTED BY THE BEEF CRISIS OF LAST AUTUMN." THE EEC BEEF IMPORT BAN, HE SAID, WOULD CONTINUE INTO THE FORESEEABLE FUTURE AND THERE WERE NO INDICATIONS OF A GENERAL RELAXATION.

4. THE MAIN AREA STILL TO BE DECIDED IS THE SLAUGHTER PREMIUM. DURING MARCH AND APRIL THE PREMIUM IS 37 POUNDS, WITH A FEOGA CONTRIBUTION OF ONLY 12 POUNDS, WHILE BRITAIN WILL PAY THIS FULL AMOUNT ON CATTLE AND BEEF GOING THERE FROM IRELAND, THE MINISTER WAS UNABLE TO SAY HOW MUCH THE IRISH GOVERNMENT WOULD PAY ON CATTLE OR BEEF GOING TO EUROPE. A SIMILAR SITUATION OF UNCERTAINTY IN REGARD TO THE EUROPEAN TRADE WOULD SEEM TO EXIST FOR ALL OF NEXT YEAR. ALL THE MINISTER COULD SAY ON THE SUBJECT WAS, "THIS IS A GOVERNMENT DECISION, BUT, NATURALLY, WE WILL ACCEPT THE FEOGA CONTRIBUTION."

5. THE KILL-OUT WEIGHT FOR INTERVENTION CATTLE IS STILL 50 PERCENT. REPORTS THAT IT HAD BEEN RAISED TO 55 PERCENT, IN LINE WITH THE COMMISSIONS'S ORIGINAL PROPOSAL WERE, HE SAID, CATEGORICALLY "NOT TRUE."

6. MEMBER STATES HAVE PERMISSION TO INTRODUCE A BUTTER SUBSIDY OF 18 PENCE PER LB. FOR THOSE DRAWING SOCIAL WELFARE BENEFITS AND THE CONTRIBUTORY OLD-AGE PENSION. THIS 18 PENCE WILL BE RECOVERABLE FROM FEOGA AND WILL APPLY TO AN ESTIMATED 500,000 PEOPLE.

7. THE OVERALL BRUSSELS PACKAGE RAISES INTERVENTION PRICES BY AN AVERAGE NINE PERCENT BUT GIVES ANOTHER FIVE PERCENT THROUGH THE IMPLEMENTATION OF A FURTHER GREEN POUND. IN ADDITION, ALL MCA'S ARE REDUCED WHICH WILL HELP TO GET EXTRA TRADING OFF THE GROUND.

8. THE MAIN INCREASES ARE:
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A. BEEF GUIDE PRICE UP 8.5 PERCENT, INTERVENTION PRICE UP 5.5 PERCENT. THE INTERVENTION PRICE FROM MARCH 3 WILL BE 23.62 POUNDS PER CWT OR 40.5 PENCE PER POUND FOR GRADE I BULLOCKS.

B. MILK UP TO SIX PERCENT ON SALES TO INTERVENTION FROM FEBRUARY 3 AND A FURTHER 4.7 PERCENT FROM SEPTEMBER 16.

C. BUTTER INTERVENTION PRICE GOES UP FROM 867 POUNDS A TON TO 980.57 POUNDS IN MARCH, TO 1,059 POUNDS IN SEPTEMBER, AND SKIM FROM 43.05 POUNDS A TON TO 484.15 POUNDS IN MARCH. THERE IS NO SEPTEMBER INCREASE FOR SKIM. THE GROSS PRICE RISE, BEFORE PROCESSORS' COSTS, WOULD THEN BE 4.14 PENCE IN MARCH AND A FURTHER 1.55 PENCE IN MID-SEPTEMBER.

D. WHEAT. THE TARGET AND INTERVENTION PRICE UP BY NINE PERCENT. THE TARGET PRICE WILL NOW BE 70.15 POUNDS TON AT 15 PERCENT MOISTURE, OR ABOUT 60 POUNDS PER TONNE GREEN.

E. BARLEY. THE NEW TARGET PRICE IS 59 POUNDS A TONNE AT 15 PERCENT MOISTURE FROM AUGUST 1. THE MINIMUM GREEN PRICE WILL BE ABOUT 9 POUNDS LESS THAN THIS.

F. PIGS. THE BASIC PRICE UP 8 PERCENT FROM 25.46 POUNDS PER CWT. THIS RISE, WITH THE CHANGES IN THE GREEN POUND, WILL BRING THE PRICE UP TO 28.90 POUNDS A CWT. BUT IT SEEMS AT THIS STAGE THAT NONE OF THIS INCREASE WILL APPLY UNTIL AUGUST 1, WHEN THE NEW PIG YEAR BEGINS. IT SEEMS THAT THE GREEN POUND ELEMENT WILL

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FM AMEMBASSY DUBLIN

TO SECSTATE WASHDC 6516

INFO USMISSION EC BRUSSELS

AMEMBASSY LONDON

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PASS AGRICULTURE-FROM AG ATTACHE

HAVE TO WAIT UNTIL THEN AS WELL. THIS WILL MEAN A TEMPORARY LOSS OF ADVANTAGE FOR IRISH PIGMEAT ON THE UK MARKET.

G. SUGAR. THE INTERVENTION PRICE IS TO BE INCREASED BY 15 PERCENT, BUT THE IRISH PRICE WILL BE DETERMINED MORE BY THE RECENT SUGAR BEET AGREEMENT.

9. IMPORTANT CHANGES IN BEEF PRICES: THE MOST IMPORTANT CHANGES, HOWEVER, WILL BE IN THE BEEF SECTOR, WHERE THERE ARE SPECIAL ARRANGEMENTS FOR DEALING WITH EXPORTS OF CATTLE AND BEEF TO BRITAIN, EUROPE AND THIRD COUNTRIES. THERE ALSO ARE CHANGES IN THE SLAUGHTER PREMIUM ARRANGEMENTS.

10. THE BASIC BEEF INTERVENTION PRICE:

STEERS I - THE NEW PRICE GOES UP TO 39.93 POUNDS - 40.5 PENCE PER POUND FROM 34.7 PENCE - 35.41 PENCE PER POUND.

STEERS II - THE NEW PRICE GOES UP TO 38.59 PENCE - 39.92 PENCE PER POUND FROM 33.69 PENCE - 34.69 PENCE PER POUND.
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HEIFERS II - THE NEW PRICE GOES UP TO 37.44 PENCE - 38.58 PENCE PER POUND FROM 32.72 PENCE - 33.70 PENCE PER POUND.

COWS I - THE NEW PRICE GOES UP TO 32.98 PENCE - 34.13 PENCE PER POUND FROM 28.81 PENCE - 29.81 PENCE PER POUND.

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11. THESE INCREASES IN INTERVENTION PRICES INCLUDE:

1. A 5.5 PERCENT LIFT IN THE GENERAL INTERVENTION PRICE OF 90 PERCENT OF THE NEW GUIDE PRICE OF 26.61 POUNDS PER CWT.

2. A FIVE PERCENT ADJUSTMENT IN THE GREEN POUND.

3. A FOUR PERCENT RISE DUE TO THE TRANSITIONAL STEP ON THE WAY TO FULL IRELAND'S EEC MEMBERSHIP.

12. HOWEVER, OTHER ASPECTS OF THE BEEF PACKAGE WILL ENCOURAGE FACTORIES TO ACTUALLY TRADE, RATHER THAN SELL THE BULK OF THEIR OUTPUT INTO INTERVENTION. IN MANY CASES DIRECT SELLING COULD GIVE A HIGHER RETURN THAN INTERVENTION.

13. THESE MEASURES ARE: A REDUCTION IN THE MCA'S ACTING AS A PROTECTIVE WALL AROUND GERMANY AND THE BENELUX COUNTRIES. THE GERMAN MCA'S LEVIED ON IRISH MEAT GO DOWN FROM 12 PERCENT TO 10 PERCENT.

14. ALL AGRICULTURAL PRODUCE EXPORTED FROM COUNTRIES WITH DEPRECI-

ATED CURRENCIES SUCH AS IRELAND WILL BENEFIT FROM A FURTHER REDUCTION IN MCA'S OF 1.25 PERCENT. IN THE CASE OF BEEF IT HAS FURTHER BEEN AGREED THAT WHERE THE IRISH MARKED PRICE IS BELOW THE INTERVENTION PRICE THAT MCA'S CAN BE REDUCED BY ANOTHER ONE PERCENTAGE POINT. THIS WILL MAKE EXPORT VERY EASY.

15. THE OVERALL EFFECT OF THE GREEN POUND ELEMENT WILL BE TO REDUCE THE MCA'S PAYABLE FROM 2.47 POUNDS TO ABOUT 1.35 POUNDS IN LIVE CWT OR 2.3 PENCE PER POUND ON CARCASS, INSTEAD OF 4.19 PER POUND. THE NET MCA REFUND ON IRISH EXPORTS TO BRITAIN WILL RISE FROM ABOUT 1 PENCE PER POUND TO OVER 2 PENCE PER POUND.

16. THE SLAUGHTER PREMIUM IS NOW 35.65 POUNDS PER ANIMAL AND IT UNCLASSIFIED

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WILL CONTINUE UNTIL THE END OF FEBRUARY. HOWEVER, THE DIFFICULTY ARISES AFTER FEBRUARY. FOR MARCH AND APRIL THE PREMIUM IS TO BE A MAXIMUM OF 43 POUNDS OF WHICH ONLY 16 POUNDS IS TO COME FROM BRUSSELS. THE QUESTION IS: HOW MUCH WILL THE IRISH AND UK GOVERNMENTS CONTRIBUTE? IN THE CASE OF CLEAN - BULLOCKS AND HEIFERS - WHATEVER AVV FS #
THE BRITISH WILL GIVE WILL ALSO APPLY
TO CATTLE IMPORTED FROM IRELAND EITHER IN CARCASS OR IN LIVE FORM. AT THE PRESENT THE GOVERNMENT IS ONLY PASSING ON THE BRUSSELS CONTRIBUTION ON CATTLE GOING TO THE CONTINENT. IF IT ALSO DECIDES TO PASS ONLY THE BRUSSELS ELEMENT AFTER MARCH, IT WILL LEAVE THE CONTINENTAL TRADE VERY MUCH AT A DISADVANTAGE VIS A VIS THE ENGLISH TRADE.

17. AFTER APRIL THE SLAUGHTER PREMIUM IS TO CONTINUE UNTIL MARCH 1976, AT A RATE OF 15 POUNDS FROM FEOGA BUT ALL THROUGH THAT PERIOD A MAXIMUM OF 28 POUNDS CAN BE ADDED BY ANY MEMBER COUNTRY SELLING CLEAN CATTLE.

18. NO SLAUGHTER PREMIUM WILL BE PAID ON ANY CATTLE SOLD INTO INTERVENTION.

19. BECAUSE THE SLAUGHTER PREMIUM ONLY REALLY AFFECTS BRITAIN AND IRELAND, FRANCE HAS BEEN GIVEN PERMISSION TO GIVE A SPECIAL PREMIUM TO EVERYONE BREEDING COWS, WHILE ITALY HAS BEEN GIVEN PERMISSION TO GRANT 28 POUNDS ON EVERY CALF BORN, 14 POUNDS OF WHICH WILL BE PAID AT BIRTH AND 14 POUNDS TWELVE MONTHS LATER. ALL OF THESE PREMIUMS ARE TO BE PAID BY FEOGA.

20. THE EVENTUAL PACKAGE AS IT HAS BEEN AGREED HAS, BECAUSE OF THE SECOND PERCENT SHIFT IN THE GERMANY MCA'S, GIVEN GERMAN FARMERS A SEVEN PERCENT RISE IN PRICES WHICH IS WITHIN THE GERMAN GOVERNMENT'S WISHES, WHILE THE GREEN POUND ADJUSTMENTS HAS GIVEN BRITISH AND IRISH PRODUCERS SOMEWHAT MORE THAN THE NINE PERCENT WHICH WAS SO BADLY NEEDED TO COVER THEIR INCREASED COSTS.

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